

## **ADDENDUM TO THE FINAL STATEMENT OF REASONS**

### **California Public Employees' Retirement System Adoption of section 585 – Retirement Optional Settlement 4**

Necessity for the regulatory provisions of section 585:

Some of the criteria are necessary to ensure that the benefits are well defined. Benefits must be well defined in order for the actuary to determine the “actuarial equivalent” amount. It is also necessary for the benefits to be well defined in order to protect the financial security of the system (see the next paragraph) and may be needed to ensure that the rule against perpetuities is not violated.

Other criteria are needed to ensure that the member does not elect a form of benefit which could result (if some low probability event occurs in the future) in a very large increase in liabilities. Such a large increase in liabilities could threaten the solvency of their former employer which would in turn threaten the security of other members' benefits.

585 (a)(1) This administrative requirement precludes the selection of optional 4 settlement that is duplicative of existing option types.

585 (a)(2) This administrative requirement is necessary to ensure that the system can continue to be effectively and efficiently administered and to contain administrative costs.

585 (a)(3) This administrative requirement is necessary to ensure that the benefits to be provided are well defined.

585 (a)(4) This administrative requirement is necessary to ensure that the benefits to be provided are well defined.

585 (a)(5) This administrative requirement is necessary to ensure that the benefits to be provided are well defined.

585 (a)(6) This administrative requirement is necessary to protect the security of other members' benefits.

585 (a)(7) This administrative requirement is necessary to protect the security of other members' benefits.

585 (a)(8) This administrative requirement is necessary to protect the security of other members' benefits.

585 (a)(9) This administrative requirement is necessary to ensure that a sufficient pool of members elect the new type of Option 4 allowance so that actuarial equivalence can be achieved. It is also necessary to ensure that the system can continue to be effectively and efficiently administered.

585 (b) -This provision ensures that CalPERS can amend or repeal the criteria as necessary to accommodate changes in the law. If retirement law is changed in such a manner as to render a previously approved option type obsolete or inconsistent with the criteria, CalPERS may discontinue one of the previously approved option types.

585 (c) – This provision sets out the types of Option 4 allowance previously approved by CalPERS Board prior to the adoption of the regulations. It is necessary for a historical perspective and ensures that previously approved Option 4 types are recognized via the regulatory process.